

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE )  
CORPORATION OF KENTUCKY FOR AN ) CASE NO. 2010-00476  
ADJUSTMENT OF RATES )

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO WATER SERVICE CORPORATION OF KENTUCKY

Pursuant to 807 KAR 5:001, Water Service Corporation of Kentucky ("Water Service") is requested to file with the Commission the original and six copies of the following information, with a copy to all parties of record, 14 days after the initial submission of the rate application or 28 days after the date of this request, whichever is later. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Water Service shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to that Water Service fails or refuses to furnish all or part of the requested information, Water Service shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Provide monthly usage data for each customer in gallons for the calendar year 2010. The usage data should be provided on a computer diskette or CD-ROM and in an electronic spreadsheet format that is capable of being read and manipulated using Microsoft Excel.

2. Provide an organization chart that shows the current relationship between Water Service and all affiliated companies and that expressly indicates each affiliate with which Water Service routinely transacts business.

3. Provide a complete copy of all workpapers, show all calculations, and state all assumptions that Water Service used to develop its pro forma test-period financial information. For all work papers and calculations that exist in an electronic spreadsheet format, provide on a computer diskette or CD-ROM an electronic copy that is capable of being read and manipulated using Microsoft Excel.

4. Provide a complete copy of all Water Service internal accounting manuals, directives, policies, and procedures.

5. Provide a reconciliation and detailed explanation of each difference, if any, in the capital structure and the net investment rate base of Water Service for the test period.

6. List all business activities of Water Service aside from its regulated utility activities. For each listed activity, describe the accounting policies and procedures in place to ensure that those activities are not subsidized by regulated rates or vice versa.

7. Provide a schedule listing each project included in the test period Construction Work in Progress ("CWIP"). Include a detailed description of each project included in the schedule.

8. Provide a test-period general ledger showing account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry state the date paid, vendor name, check number used to make payment and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts used by Water Service. All accounts should show activity for 12 months. Show the balance in each control and all underlying subaccounts per company books. The test-period general ledger should also be provided on a computer disk in Microsoft Office Excel format.

9. For each cash account used by Water Service during the test-period, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount. The test-period cash disbursements ledger should also be provided on a computer diskette or CD-ROM in an

electronic spreadsheet format that is capable of being read and manipulated using Microsoft Excel.

10. Provide all audit adjustments made for the test-period financial statements.

11. a. Provide a list of all employees employed during the test period. For each employee listed, provide the following:

- (1) Name.
- (2) Title.
- (3) Length of employment with Water Service.
- (4) Job duties.
- (5) Test-period pay rate and current pay rate.
- (6) Test-period regular time worked and overtime worked.
- (7) Percentage of test-period payroll capitalized.
- (8) Total test-period payroll expenses and capitalized.
- (9) Type of employee benefits (e.g., health insurance, dental

insurance, vision insurance, pension) and amounts paid for each by Water Service.

b. Provide a copy of the employee information requested in Item 11(a) on a computer diskette or CD-ROM in an electronic spreadsheet format that is capable of being read and manipulated using Microsoft Excel.

c. Provide the employer retirement contribution rate(s) that were effective during calendar years 2008, 2009, and 2010 and the date on which the rate(s) became effective.

d. State whether the employer retirement contribution rate will change in calendar year 2011. If the rate is changing, state the revised rate, the reason for the change, and the date on which the revised rate will become effective.

12. a. Provide a schedule detailing all test-period expenditures related to the application filed in this current proceeding. Provide in the schedule the nature and amounts of all charges along with a copy of vendor invoices. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.

b. Provide the anticipated total cost of the case upon completion. The projected amount should be detailed by type of service and vendor with supporting documentation for each.

c. Provide a monthly update of the schedule requested in 12(a) showing all of the costs incurred as of that date. Include the supporting detailed vendor invoices as requested in 12(a).

13. For each debt instrument of Water Service currently outstanding or outstanding during the test year, provide:

a. A current amortization schedule that includes the entire life of the loan or bond and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

b. A description of the use of the loan or bond proceeds.

14. Describe Water Service's long-term construction planning program and provide all memoranda and internal documents in which the program is discussed and approved.

15. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, or surveys conducted for or used by Water Service.

16. For each water operation employee group, state the amount, percentage of increases, and effective dates for general wage increases and, separately, for merit increases granted for the years 2008, 2009, and 2010.

17. Provide complete details of all early retirement plans or other staff reduction programs Water Service intends to offer its employees during 2010 and 2011. *Include all cost-benefit analyses associated with these programs.*

18. a. Provide a detailed list of all fringe benefits available to Water Service employees and the expected cost of each benefit in 2008, 2009, and 2010. Indicate which fringe benefits, if any, are limited to management employees.

b. Provide comparative cost information for employee fringe benefits for 2008, 2009, and 2010. Explain any changes in fringe benefits occurring over this period.

19. List separately the budgeted and actual numbers of full-time and part-time employees by employee group, by month and by year, for 2007 through 2010.

20. Provide complete details of Water Service's Other Post-retirement Employee Benefits package(s).

21. Provide all current labor contracts and the most recent contracts previously in effect.

22. Provide a complete copy of each group medical insurance policy that Water Service currently maintains.

23. List all properties leased to the utility and improvements to leased properties, together with annual lease payments which are capitalized.

24. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income for 2009 and 2010 in the format provided in Schedule 24.

25. a. State the date that Water Service adopted Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

b. State the effect of Water Service's adoption of SFAS No. 106 on Water Service's financial statements.

c. Describe how Water Service's implementation of SFAS No. 106 affected its test-period operations.

26. a. State the date that Water Service adopted SFAS No. 109, "Accounting for Income Taxes."

b. State the effect of Water Service's adoption of SFAS No. 109 on Water Service's financial statements.

c. Describe how Water Service's implementation of SFAS No. 109 affected its test-period operations.

27. a. State the date that Water Service adopted SFAS No. 112, "Employers' Accounting for Postretirement Benefits."

b. State the effect of Water Service's adoption of SFAS No. 112 on Water Service's financial statements.

c. Describe how Water Service's implementation of SFAS No. 112 affected the test-period.

28. a. State the date that Water Service adopted SFAS No. 143, "Accounting for Asset Retirement Obligations."

b. State the effect of Water Service's adoption of SFAS No. 143 on Water Service's financial statements.

c. Describe how Water Service's implementation of SFAS No. 143 affected its test-period operations.

d. Provide a schedule comparing the depreciation rates that Water Service used prior to and after its adoption of SFAS No. 143. The schedule should identify the assets corresponding to the affected depreciation rates.

29. Provide a copy of each service agreement or contract that Water Service has with each affiliate company. Describe the pricing policies of Water Service and its affiliates regarding affiliate company transactions.

30. a. List and describe each good or service that has been provided to Water Service by an affiliated company.

b. Describe the benefits that Water Service derives from having an affiliate provide the good or service identified in Item 30(a).

c. List and describe each goods or service that Water Service provides to an affiliated company.

31. a. Identify the electric utility that serves Water Service's facilities in Middlesboro.

b. Provide the monthly bills that were rendered to Water Service during the test period for electric service to its facilities in Middlesboro.

c. State the rate schedule(s) under which the electric utility provides electric service to Water Service facilities in Middlesboro. If service is provided under more than one rate schedule, list for each rate schedule the facilities that are served under that schedule.

32. a. Identify the electric utility that serves Water Service's facilities in Clinton.

b. Provide the monthly bills that were rendered to Water Service during the test period for electric service to its facilities in Clinton.

c. State the rate schedule(s) under which the electric utility provides electric service to Water Service facilities in Clinton. If service is provided under more than one rate schedule, list for each rate schedule the facilities that are served under that schedule.



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Jeff Berouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602

DATED: JAN 14 2011

cc: Parties of Record

Water Service Corporation of Kentucky  
 Case No. 2010-00476  
 Adjusted Jurisdictional Federal and \_\_\_\_\_ State Income Taxes\*  
 For the 12 Months Ended \_\_\_\_\_

Schedule 24  
 Page 1 of 3  
 Witness Responsible: \_\_\_\_\_

Line No.	Description	At Current Rates		At Proposed Rates		
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjusted (4)	Adjusted (5)
1	Operating Income Before Income Taxes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
2	Reconciling Items:					
3	Interest Charges					
4	Tax Accelerated Depreciation					
5	Book Depreciation					
6	Excess of Tax Over Book Depreciation					
7	Other Reconciling Items (Specify and List)					
8	Total Reconciling Items					
9	Taxable Income					
10	Income Tax Rates:					
11	\$ _____ @ _____ %					
12	\$ _____ @ _____ %					
13	\$ _____ @ _____ %					
14	\$ _____ @ _____ %					
15	Over \$ _____ @ _____ %					
16	Federal (State) Income Tax Liability					

\*Separate Schedules should be completed for the Federal and State calculations.

Water Service Corporation of Kentucky  
 Case No. 2010-00476  
 Adjusted Jurisdictional Federal and \_\_\_\_\_ State Income Taxes\*  
 For the 12 Months Ended \_\_\_\_\_

Schedule 24  
 Page 2 of 3  
 Witness Responsible: \_\_\_\_\_

Line No.	Description	At Current Rates		At Proposed Rates		
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjusted (4)	Adjusted (5)
17	Investment Tax Credits	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
18	Federal (State) Income Taxes – Current	_____	_____	_____	_____	_____
19	Deferred Income Taxes:					
20	Tax Accelerated Depreciation					
21	Tax Straight-Line Depreciation					
22	Excess of Accelerated Over Straight-Line Depreciation					
23	Deferred Income Tax @ _____ %					
24	Amortization of Prior Years Deferred Income Taxes					
25	Net Deferred Income Taxes Resulting from Depreciation					
26	Investment Tax Credit Deferred					
27	Amortization of Prior Year ITC					

\*Separate Schedules should be completed for the Federal and State calculations.

Water Service Corporation of Kentucky  
Case No. 2010-00476  
Case No. Adjusted Jurisdictional Federal and \_\_\_\_\_ State Income Taxes\*  
For the 12 Months Ended \_\_\_\_\_

Schedule 24  
Page 3 of 3  
Witness Responsible: \_\_\_\_\_

Line No.	Description	At Current Rates		At Proposed Rates		
		Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	Adjusted (4)	Adjusted (5)
28	Investment Tax Credit – Net	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
29	Other Tax Deferrals (Specify and List Separately)	_____	_____	_____	_____	_____
30	Total Deferred Income Taxes	_____	_____	_____	_____	_____
31	Total Federal (State) Income Taxes (18 + 30)	_____	_____	_____	_____	_____

\*Separate schedules should be completed for the Federal and State calculations.

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